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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 OPIC-03 EB-08 L-03 AID-05 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 SP-02 LAB-04 SIL-01 OMB-01 /058 W
----------100006 312235Z /75
R 310905Z JAN 78
FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC 4789
INFO USDOC WASHDC
AMEMOASSY WARSAW
AMCONSUL ZAGREB POUCH

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PASS OPIC FOR JACQUELINE CRUMPLER, APPLICATION OFFICE

E O 11652: N/A
TAGS: ECIN, YO
SUBJECT: APPLICATION FOR OPIC POLITICAL RISK INVESTMENT INSURANCE - DRESSER INDUSTRIES (HARBISON WALKER REFRACTORIES INTERNATIONAL)

REF: 77 BELGRADE 6914

1. EMBASSY SUBMITS THE FOLLOWING ADDITIONAL DETAILS RE THIS PROPOSED JOINT VENTURE TO PRODUCE MAGNESIUM SILICATE FROM SEA WATER. OPIC SHOULD BE PASSED COPY OF REFTEL WHICH CONTAINS INFO ON THIS JOINT VENTUE PROPOSAL.

2. AS INDICATED REFTEL HARBISION WALKER REFRACTORIES HAS SIGNED A JOINT VENTURE AGREEMENT WITH YUGOSLAV FIRM, MGANOHROM. HOWEVER, WE NOW KNOW THAT THIS AGREEMENT HAS NOT REPEAT NOT BEEN DATED. THE AGREEMENT WILL NOT BE DATED UNTIL THE POLISH PARTNER ALSO SIGNS THE AGREMENT. WHEN THIS OCCURS YUGOSLAV LAW REUIRES THAT WITHIN THIRTY DAY
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PERIOD SIGNED AGREEMENT BE SUBMITTED FOR REGISTRATION TO THE FEDERAL COMMITTEE FOR ENERGY AND INDUSTRY. REGISTRATION IS TANTAMOUNT TO GOVERNMENT APPROVAL. THEREFORE, FOREIGN GOVERNMENT APPROVAL (FGA) OF THIS PROJECT HAS NOT YET BEEN OBTAINED. WE HAVE BEEN TOLD, HOWEVER, BY NON-GOVERNMENT SOURCES THAT A PRELIMINARY DRAFT OF THIS JOINT

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VENTURE PROPOSAL WHICH WAS SUBMITTED TO THE FEDERAL
COMMITTEE FOR ENERGY AND INDUSTRY WAS FOUND ACCEPTABLE
IN PRICNCIPLE. HOWEVER NEW JOINT VENTURE LEGISLATION IS UNDER
CONSIDERATION. THIS PROPOSED LEGISLATION, OF WHICH WE
KNOWN LITTLE, COULD BE APPROVED SHORTLY AND COULD
CONCEIVABLY AFFECT ACCEPTABILITY OF JOINT VENTURE.

3. ACCORDING TO OFFICIAL OF INTERNATIONAL INVESTMENT
CORPORATION FOR YUGOSLAVIA (IICY), WHO RECENTLY PARTICIPATED
IN MEETINGS IN POLAND ON THIS JOINT VENTURE,
POLES HAVE FINALLY DESIGNATED POLISH PARTNER. FIRM IS A
FOREIGN TRADE ORGANIZATION CALLED "MINEX". A POLISH BANK "BANK
HANDLOWY" IS ALSO INDIRECTLY INVOLVED. DELAY IN IMPLEMENTATION
OF THIS JOINT VENTURE HAS BEEN LARGELY ON THE POLISH SIDE:
FIRST, IN DIESIGNATING PARTNER AND NOW BECUASE OF FINANCING
PROBLEMS. UNDER PROPOSED AGREEMENT POLES ARE TO PROVIDE
DOLS 6.4 MILLION IN CASH AND A DOLS 24 MILLION COMMIDITY
CREDIT. UNDER THE COMMIDITY CREDIT ARRANGEMENT MINEX WILL
SELL COMMODITIES THROUGH THE YUGOSLAV FOREIGN TRADE FIRM
GENERAL EXPORT AND FUNDS GENERATED WOULD BE PROVIDED TO THE
JOINT VENTURE. PLLES, HOWEVER, HAVE STILL NOT PRODUCED
LIST OF COMMODITIES TO BE SOLD AND ARE TRYING TO RENEGE
OR AT LEAST HOLD OFF ON COMMODITY ARRANGEMENT. ALSO MINEX
HAS AS YET BEEN UNABLE TO COME UP WITH THE OTHER SOLLARS
6.4 MILLION IN EQUITY. IICY OFFICIAL ATTRIBUTES THESE
DELAYS TO DIFFERENT INTERESTS AND IN-FIGHTING WITHIN
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POLISH MINISTRIES. POLISH GOVT, HOWEVER, HAS GIVEN
ASSURANCES THAT IT WILL MOVE AHEAD IN 1978 ON THE PROJECT
AND IICY OFFICIAL IS HOPEFUL AGREEMENT WILL BE SIGNED IN
LAGE FEBRUARY. IF ALL OF POLISH FINANCING DOES NOT
MATERIALIZE THERE IS POSSIBILITY THAT INTERNAIONAL
FINANCE CORPORATION (IFC), WHICH IS ASSOCIATED WITH IICY,
MIGHT TRY TO ARRANGE FINANCING.

4. SEVERAL MONTHS AGO THERE WERE SOME ECOLOGICAL
OBJECTIONS TO THIS PROJECT FROM MUNICIPAL AUTHORITIES IN THE
BAR AREA. WE NOW UNDERSTAND HHESE COCERNS HAVE BEEN
SATISFIED.

5. THIS JOINT VENTURE CONFORMS WITH US POLICY TO BROADEN
ECONOMIC RELATIONS WITH YUGOSLAVIA AND EMBASSY PERCEIVES NO
POLITICAL OR ECONOMIC OBJECTIONS TO JOINT VENTUERE. ONLY
POSSIBLE OBSTACLE EMBASSY CAN SEE TO PROVISION OF OPIC
COVERAGE IS WHERE PROJECT FALLS WITHIN NEW OPIC GUIDELINES
RESTRICTING COVERAGE IN DEVELOPING COUNTRIES WITH OVER DOLLARS
1000 PER CAPITAL INCOME. HOWEVER, SINCE JOINT VENTURE
FALLS WITHIN GENERAL SECTOR OF MINERALS DEVELOPMENT, ONE
OF AREAS IN WHICH EXCEPTION TO DOLLARS 10000

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LIMITATION ARE ALLOWED, EMBASSY RECOMMENDS APPROVAL OF
OPIC COVERAGE.
EAGLEBURGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSURANCE, INVESTMENTS, JOINT VENTURES
Control Number: n/a
Copy: SINGLE
Draft Date: 31 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BELGRA00707
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780046-0908
Format: TEL
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978016/aaaaaeao.tel
Line Count: 119
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: bc8f63e3-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3768677
Secure: OPEN
Status: NATIVE
Subject: APPLICATION FOR OPIC POLITICAL RISK INVESTMENT INSURANCE - DRESSER INDUSTRIES (HARBISON WALKER
TAGS: ECIN, YO
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/bc8f63e3-c288-dd11-92da-001cc4696bcc
Review Markings:
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